

Pineville Independent School District
Notes to the Basic Financial Statements
June 30, 2009

Note K – On-Behalf Payments

The State of Kentucky makes certain health insurance, life insurance, flexible spending, administrative fees and pension plan payments on behalf of the District for its employees. The District records these payments as both a revenue and expenditure in the General Fund and Food Service Fund based upon percentage of payroll. The total of the on-behalf payments for the fiscal year ended June 30, 2009 was \$746,393 for the General Fund, \$41,825 for the Food Service Fund and \$10,306 for the Daycare Fund. The District is not legally responsible for these contributions.

Note L – Annual Financial Report Differences

The following is a reconciliation of the June 30, 2009, fund balances/retained earnings reported by the Board to the Kentucky Department of Education with its adjusted (final) Annual Financial Report with that shown in the accompanying fund financial statements:

	Per AFR	Per Audit	Difference	Reason Code
General Fund				
Sick Leave Payable	\$ -	\$ 59,835	\$ (59,835)	1
Restriced for Sick LV Payable	59,835	-	59,835	1
Instruction	2,048,503	2,059,298	(10,795)	2
Debt Service	23,979	-	23,979	3
Transfers Out	11,027	35,006	(23,979)	3
Special Revenue Fund				
Debt Service	4,875	-	4,875	4
Transfers Out	7,215	12,090	(4,875)	4
Capital Outlay Fund				
Debt Service	14,267	-	14,267	4
Transfers Out	87,673	101,940	(14,267)	4
Building Fund				
Debt Service	176,333	-	176,333	4
Transfers Out	131,736	308,069	(176,333)	4

1. Sick leave payable and sick leave escrow are both the same number. GASB 116 requires that this amount be considered as a payable, however it is customary for the district to escrow those funds that may be used for retirement payments of sick leave if they do not budget those amounts. The district does not budget for those amounts.
2. This amount is due to the way sick leave is escrowed on the AFR, and an amount is expended for the reduction or addition of sick leave payable on the audit.
3. Debt Service for the KISTA bus lease was made from an account in the Student Transportation function. See #4 for remainder of explanation.
4. All debt service payments are considered paid by the Debt Service Fund. Therefore since the payments are actually shown in that fund, the payments shown on the AFR should be transfers to the Debt Service Fund. KDE however does not require that this entry be made to the District's AFR.

Pineville Independent School District
Notes to the Basic Financial Statements
June 30, 2009

Custodial credit risk Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District's policy requires deposits to be 100 percent secured by collateral valued at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service, as determined by a rating of C minus or above by independent rating agencies. Collateral agreements must be approved prior to deposit of funds as provided by law. The District council approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of an evaluation committee or the District treasurer, or both.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The district does not retain any long-term investments.

Concentration of Credit Risk. The Board places no limit on the amount the District may invest in any one issuer. All of the organization's cash is held at a local financial institution.

Foreign Currency Risk Foreign currency risk is the risk of changes in exchange rates affecting foreign investments. The District does not hold any foreign investments.

For discussion of adopted deposit and investment policy and other related information, see Note A.

Note C – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

Governmental Activities	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Assets				
Land	\$ 215,115	\$ 90,000	\$ -	\$ 305,115
Buildings and improvements	5,379,368	-	-	5,379,368
Technology equipment	764,308	-	-	764,308
Vehicles	255,669	-	-	255,669
General equipment	255,913	-	-	255,913
Construction in progress	-	-	-	-
Totals at historical cost	<u>\$ 6,870,373</u>	<u>\$ 90,000</u>	<u>\$ -</u>	<u>\$ 6,960,373</u>
Less: accumulated depreciation				
Buildings and improvements	2,008,404	98,847	-	2,107,251
Technology Equipment	537,363	61,775	-	599,138
Vehicles	203,651	13,073	-	216,724
General equipment	135,717	19,375	-	155,092
Total accumulated depreciation	<u>2,885,135</u>	<u>193,070</u>	<u>-</u>	<u>3,078,205</u>
Governmental Activities Capital Assets - Net	<u>\$ 3,985,238</u>	<u>\$ (13,073)</u>	<u>\$ -</u>	<u>\$ 3,882,168</u>
Business-Type Activities				
Assets				
Food service and equipment	\$ 105,744	\$ -	\$ -	\$ 105,744
Totals at historical cost	<u>\$ 105,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,744</u>
Less: accumulated depreciation				
Food service and equipment	69,917	6,127	-	76,044
Total accumulated depreciation	<u>69,918</u>	<u>6,127</u>	<u>-</u>	<u>76,044</u>
Business-Type Activities Capital Assets - Net	<u>\$ 35,826</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,700</u>

Pineville Independent School District
Statement of Net Assets - Proprietary Funds
As of June 30, 2009

	Food Service Fund	Non-major Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 25,099	\$ 4,751	\$ 29,850
Inventory	1,861	-	1,861
Total current assets	<u>26,960</u>	<u>4,751</u>	<u>31,711</u>
Noncurrent Assets			
Furniture and equipment	105,744	-	105,744
Less: Accumulated depreciation	(76,044)	-	(76,044)
Total noncurrent assets	<u>29,700</u>	<u>-</u>	<u>29,700</u>
Total assets	<u>\$ 56,660</u>	<u>\$ 4,751</u>	<u>\$ 61,411</u>
LIABILITIES			
Current Liabilities			
Amount in excess of deposits	\$ -	\$ 12,977	\$ 12,977
Accounts payable	5,539	-	5,539
Total current liabilities	<u>5,539</u>	<u>12,977</u>	<u>18,516</u>
Noncurrent Liabilities			
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>5,539</u>	<u>12,977</u>	<u>18,516</u>
NET ASSETS			
Invested in capital assets, net of related debt	35,827	-	35,827
Restricted for:			
Inventory	1,861	-	1,861
Unrestricted	13,433	(8,226)	5,207
Total net assets	<u>\$ 51,121</u>	<u>\$ (8,226)</u>	<u>\$ 42,895</u>

The accompanying notes to the financial statements are an integral part of these financial statements.